ACCOUNTANCY

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PROFESSIONAL NOTES

Office Hours

It is desirable to remind both practising members of the profession and their staffs that by intimation in the public press, the Minister of Labour and National Service has recommended as a "qualitative measure"—to use the words of *The Times* Correspondent—that the 46-hour week should be regarded as the normal standard for offices, with two weeks' annual holiday. For a long time past the principals and many members of the staffs of firms of accountants have been working much longer hours than those prescribed, even though the actual office hours may not have reached 46 hours a week. The varied character of professional work and the fact that a proportion of a firm's staff work away from the office make it difficult to impose uniformity, but the demand for maximum effort which is implicit in the Minister's recommendation is one which has our full support and should meet with the practical response of adapting office hours to meet the present position. That this is necessary is proved by the fact that in dealing with requests for deferment of women, in accordance with the letter from the Ministry published in our June issue, it is understood that enquiry will be made as to the extent of office hours and as to whether some extension of working time and reorganisation could lead to the immediate release of staff.

Birthday Honours List

Amongst the names appearing in the King's Birthday Honours List we should like to mention Mr. Geoffrey H. Shakespeare, M.P., who will become a Baronet. For many years prior to the war, the East Anglian Society of Incorporated Accountants had the pleasure of entertaining him as a guest at annual dinners. Mr. John Frederick Heaton, F.S.A.A., who is the Chairman of Thomas Tilling, Ltd., and has rendered distinguished service in connection with war transport, will become a Knight Bachelor. A similar honour will be accorded to Mr. F. W. Ogilvie, lately Director-General of the B.B.C., whom many Incorporated Accountants will remember as a former Vice-Chancellor of Queen's University, Belfast, where members of the Society were received at a Conference in 1937. In the India Office List we have noticed the name of Mr. T. E. Gregory, the Economic Adviser to the Government of India, who will also receive the honour of Knight Bachelor. A few years ago, when Mr. Gregory was the Sir Edward Cassel Professor of Economics at the London School of Economics, he was frequently a welcome guest at the meetings of the London District Society, whom he addressed from time to time.

Institute of Chartered Accountants

At a meeting of the Council of the Institute held on Wednesday, June 3, 1942, Mr. Charles J. G. Palmour was re-elected President for the fifth year in succession. In proposing his re-election, Lord Plender said that during the past four years Mr. Palmour had discharged his heavy task with great ability and had upheld the dignity and prestige of the Institute. A reign of five years as President is a record in the Institute, and the members of the Society will heartily join in the congratulations which have been offered to him by the members of his own body. It is worthy of note that partners of Mr. Palmour's firm will now have held the offices of President and Vice-President of the Institute for sixteen years : truly a notable record. At the same meeting Mr. Harold M. Barton, of London, was elected Vice-President, and his election will be popular not only in the Institute, but in all sections of the profession.

Company Reports

Wasteful use of paper in company annual reports and prints of chairmen's speeches has again been brought to the notice of the Board of Trade. The Board have reason to believe that the great majority of companies are exercising proper economy in these matters ; but they have again asked business and professional organisations to make a further urgent appeal to their members with a view to bringing the small minority into line with the large majority. We hope that all readers will use their influence to secure the utmost economy in the content and lay-out of all documents circulated by companies. The issue to shareholders of the report and accounts is an essential safeguard of their interests, and is compulsory under Section 130 of the Companies Act, 1929. Some trouble and thought are required to comply with the request of the Board of Trade, but the resultant saving of paper is an important contribution to the national effort.

Coupon Banking in Operation

The coupon banking scheme, originally announced as long ago as November, has finally come into effect this month. After a trial week, in which traders could pay in coupons to their accounts and make transfers by voucher on a voluntary basis, the use of transfer-vouchers became compulsory, on and after June 22, except for small transactions involving less than 75 coupons, and in respect of coupon-equivalent documents carrying quota-free rights. Though it is as yet early days to judge, the scheme shows every promise of working satisfactorily. For the absence of queries some thanks are undoubtedly due to the very lucid little booklet (BK5, " Bank Accounts for Clothing Coupons ") issued by the Board of Trade, and giving traders very precise instructions on how to open and operate coupon accounts. One copy will be supplied free of charge to any firm of accountants who apply in writing to the Chief Accountant, Board of Trade, Carlton Hotel, Bournemouth. There are some interesting differences between coupon banking and ordinary banking, of which the most important is probably the absolute prohibition of overdrafts. Unlike the ordinary cheque, too, the transfer-voucher does not require discharge by the beneficiary and may not be endorsed over to third parties. It thus bears a strong resemblance to the non-transferable cheque advocated in some quarters as a means of dispensing with separate receipts, a matter which has recently been the subject of much discussion in the press, and of a question in Parliament. It is interesting to note that since the banks in handling transfer-vouchers have no statutory protection to consider, which might be prejudiced by trifling irregularities, they are able to exercise judgment in accepting coupons for collection provided they are satisfied a customer is intended to be the transferee, even if the customer's name is not designated quite accurately.

W.D.C. on Sale of Property

In a case in the High Court of Justice, where the proceedings were of a friendly nature taken at the instance of the Law Society, who had agreed to pay the costs, it was decided by Mr. Justice Farwell that an instalment of War Damage Contribution payable on July 1, 1942, by the owner of a freehold property who sold the property after January 1, 1942, was not apportionable as between vendor and purchaser. His lordship, in a reasoned judgment on a vendor and purchaser summons, referred to Sections 2, 20, 23 and 82 of the War Damage Act, 1941. Section 82, he said, provided that contributions made under Part I of the Act should be treated for all purposes as outgoings of a capital nature. On January 1, 1942, the property was vested in fee simple in the vendor, and he therefore became liable to pay the instalment payable by Section 20 on July 1, 1942. There was nothing in the War Damage Act, 1941, to provide for apportionment of contributions, and they could only be apportioned under a provision in the contract to that effect. In his judgment, the answer to the question raised was in the negative. Outgoings of a capital nature were not included, and there was no ground for the suggestion that the contribution was an outgoing, within the conditions.

Manufacture and Supply of Apparel and Textiles

From June 1, the Cloth and Apparel Order is replaced by new legal provisions governing the manufacture and supply of apparel and textile goods. Most of the quotas on these goods are abolished. The quotas, which were introduced in 1940 in order to restrict the volume of production for civilian needs, and thus release labour, materials and factory space for war purposes, have achieved their object ; and the problem is now to obtain the maximum production of the most essential goods from the restricted resources still available. It is thus necessary to regulate the nature of the goods which manufacturers may produce with increasing precision ; and for this reason the new Apparel and Textiles Order emphasises the Board's powers of legal control at the raw material and manufacturing stages rather than

at the point of supply. The change of method, therefore, does not imply any change of policy. The Board have already found it necessary in many ways to regulate the nature as well as the volume of production, as, for example, in the Utility scheme and in the "simplification" Orders. Further developments will, as in the past, be worked out and administered in full consultation with the trades concerned, on whose collaboration the Board rely.

Micro-Film and Salvage

An increased use of the photo-micro process, a correspondent suggests, would enable business firms to kill two birds with one stone: namely, to provide for the duplication of business records against loss by enemy action, while at the same time making it possible to release for salvage records which it would otherwise be necessary to retain.

The suggestion is that photographic negatives on micro-film should be made not only of books and papers which are definitely to be kept but also of those records about which doubt exists. The cost of the process, it is pointed out, is comparatively small. As many as 2,300 photographic copies of documents 10 inches square can be obtained on 100 linear feet of 60 mm. films at a cost of under £2. If the discarded documents are sold to a waste paper merchant, it is suggested, the proceeds and the value of the storage space released may fully offset the cost. In other words, it is possible, without expense, at one and the same time to assist the salvage drive, remove any worries as to the possible loss of vital records, and increase office space by the clearing of cupboards, shelves, drawers, and so on.

Production and Costing

Our editorial this month is based on a review of a pamphlet on "Government Costing and Price-Fixing Procedure," which is published by the Association of British Chambers of Commerce. Many readers will no doubt wish to peruse this informative publication. We understand that copies are obtainable from the Association at 14, Queen Anne's Gate, London, S.W.1, price 3d. per copy.

Frustrated Contracts

The House of Lords has reversed a rule which had been considered to be the law of England for nearly forty years. The position of parties to a contract which, after one party has made a payment in advance, is rendered impossible of fulfilment by circumstances outside the control of either, has hitherto been governed by the Court of Appeal decision in *Chandler v. Webster*, 1904, that the loss lay where it fell, and that money paid before the frustration could not afterwards be recovered. A Polish company, Fibrosa Société Anonyme, has now successfully carried to the House of Lords its claim for the refund of £1,000 paid to Fairbairn, Lawson, Combe, Barbour, Ltd., a Leeds engineering company, as part of the price of some machinery which was to have been delivered c.i.f. Gdynia. Before delivery could be effected, the Germans invaded Poland, and Great Britain declared war on Germany. As Gdynia was in enemy occupation, it would have been illegal for the English company to carry out the contract. The Lord Chancellor, after reviewing the authorities, concluded that the rule in *Chandler v. Webster* was wrong. The claim to recover the money was not based on any provision in the contract, but arose because in the circumstances the law gave a remedy by an action of *assumpsit* for money had and received where the consideration had wholly failed. But the Lord Chancellor pointed out that the decision might lead to injustice in cases where the party compelled to return the money prepaid might have incurred expenses in connection with the carrying out of the contract, and that it must be for the Legislature to decide whether to make provision for an equitable apportionment of prepaid sums where the contract was frustrated. It has since been announced in Parliament that the matter is being considered with a view to the preparation of legislation if it should appear proper and if Parliamentary exigencies permit.

Coal Under Control

The coal plan introduced this month is admittedly a compromise alternative to the proposed consumer rationing which had such an unfavourable reception. Even so, its provisions on the production side are sweeping. The Government assumes "full control over the operation of all coal mines and over the allocation of the coal raised." This power will be exercised by a new Ministry of Fuel, Light and Power under Major Gwilym Lloyd George, represented in the provinces by regional controllers possessing full authority. Coal boards are set up to consider methods of improving production, but their functions are advisory, and the members will be appointed by the Ministry. It is hoped to bridge the gap, without either consumer rationing or the wholesale release of miners from the Forces, by combining increased productivity (for example, by concentrating output on the best seams and pits) with a reduction of 6,000,000 tons in consumption (for example, through economies in utilisation by industrial consumers). The Beveridge plan remains in reserve for use if necessary, but for the time being consumer rationing is left in abeyance.

Voluntary Limitation of Dividends

When the rate of excess profits tax was raised to 100 per cent. two years ago, the Government withdrew the Limitation of Dividends Bill, which would have made illegal the distribution of dividends by any company at a higher rate than before the war. The Chancellor of the Exchequer then expressed the hope that the principles of that Bill would in practice be observed. He recently stated in Parliament that, generally speaking, his request for the limitation of dividends had been complied with, and he doubted whether any exceptions had been sufficiently numerous or important to justify him in reviving proposals for legislation. The objects of limitation are to prevent increases in the purchasing power of shareholders, and to enable the companies to give the maximum support to war loans. The Chancellor stated that these objects are even more important now than in 1940.

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PRODUCTION AND COSTING

In the continuous, and at times concentrated, review of the organisation of production, costing and price-fixing principles and their application have been closely studied and criticised. The Association of British Chambers of Commerce recently prepared a memorandum of criticisms with a view to improving production, which was submitted to the Chancellor of the Exchequer. The President (Mr. Henry Morgan) and other members of the Association have discussed the issues raised with representatives of the Minister of Production and of other Departments concerned. A pamphlet setting forth the principal criticisms and the explanations of the Departments has now been published by the Association. The pamphlet is commendably brief and deals under five headings with fifteen specific criticisms, of which a good deal had been heard. The methods of price fixing, the procedure of costs investigations, the treatment of overheads, the allowance for profits and the financing of contractors and of progress payments, are succinctly and critically reviewed.

There will be general appreciation among contractors and in the profession of the efforts of the Association, and of the response of the Departments to the representations made. The difficulties of each side were mutually and frankly recognised, and this spirit we feel assured will extend to the day to day relations between Departments and contractors, albeit the form of the statement that " it is for the Director of Contracts to fix the price and any contractor has the right to approach the Director of Contracts if he does not agree with the cost investigator " might be somewhat happier. The intimation that the Departments are always accessible to contractors who seek information is an expression of a common acknowledgment that contractors should be treated in the spirit of partners in the nation's enterprise, and that on the part of contractors there should be a somewhat more receptive attitude than has sometimes been manifested hitherto.

The main objects of costing and price-fixing policy are not in dispute. The Departments must give Parliament and the public assurance that the methods employed avoid opportunities for profiteering. Equally the contractors should receive fair prices, and not be subject to incalculable uncertainties as to what they will receive. Further, it is essential to reduce to a minimum the aspects of price fixing and costing procedure liable to give rise to argument and delays, if not to friction and disputes.

The basis on which a contract is placed is of paramount importance. The three main bases are " fixed price," " cost-plus," and " maximum price." The Departments stated that the fixed price contract is generally desired, and is to be extended rapidly as experience is accumulated. It has obvious advantages over less determinate forms, but is limited by severely practical considerations—*e.g.*, new forms of production and pressingly urgent orders do not lend themselves to fixed predetermined prices. The cost-plus contract has few, if any, friends, but its application—or its modified form, a maximum price contract—is inevitable in many circumstances. To the criticism of price uncertainty, the Departments reply that it is not the practice to vary by subsequent costing an agreed *fixed price*.

The application of fixed price contracts is only possible where each side is reasonably confident in the circumstances that the price is a " good "—that is a fair—price. A maximum price contract is not to be regarded as a cost-plus contract with a ceiling, but as a means to economy and a stepping stone towards a fixed price contract. The inconvenience of post accounting can hardly be avoided.

It is to be inferred from the pamphlet that differences arise between the results obtained by the Departments' cost investigators and contractors' costings. But contractors' costing methods are followed where these are reliable. Some attempt was made to elucidate the contentious question of overheads. Items frequently disputed are specified by the Association and call for further clarification: but it is admitted that a fixed rate of overheads for a whole industry is not attempted, although it may be devised in individual instances and is then based on a contractor's past records.

The Departments desire to remove any misconception as to the powers and duties of cost investigators. A cost investigator's function is fact finding, and suggestions by him on overheads are not to be regarded as " rulings." The contractor, if he wishes, can raise such points with the Department. The aim, of course, should be to reduce these discussions to a minimum. The time and trouble occasioned on both sides are deterrents upon the more positive urge to speed up production.

Attention is called to the special functions of banks in providing working capital where expansion of production has overtaken available resources. Continuous production at a high level, however, prevents repayment of the loans and with an accruing E.P.T. liability, a contractor may well find his own credit and assets indefinitely pledged in the attempt to finance these contracts. If this situation is widespread, it calls for immediate consideration and remedy.

We could have hoped for some reference to the specific part which firms of practising accountants now take or might take in these costings and price-fixing procedures, and we wonder whether the Departments might with advantage have sought more extensively the co-operation of the accountancy profession and of practising firms. Investigation functions could then perhaps have been more generally exercised by practising accountants.

The Language of Statutes

I—A Criticism

By ROLAND BURROWS, K.C.

Public attention has been directed of late to the vexed question of the obscurity of the statute law (including statutory regulations), and the subject has even attracted the attention of *Punch* (see the issue of June 17, 1942).

Obscurity

The salient feature of statutes is that each and every word constitutes the law. It is impossible to rely on an impression of the general effect. Acts of Parliament go through a complicated process in the course of their enactment, and the time available is limited. Once enacted, amendment is only possible by a repetition of that process; Parliamentary time is limited, and legislative projects are many. The draftsman, therefore, is faced with the need for securing a safe and easy passage through Parliament and avoiding subsequent judicial criticism which may render amendment inevitable, while at the same time the public desires to be told in plain and simple language what the law requires of it. No one can say that an ordinary member of the public has a clear notion of all that the law says he must do or abstain from doing, and even the most careful and scrupulous person may find that he has committed an offence or rendered himself liable to a penalty without having the least intention of doing so, or any suspicion of the fact.

The complaint is not a new one. Under James I, Lord Coke confessed to the King that he could not, without research, answer a question as to statute law, and Lord Bacon proposed to redeem his disgrace by codifying the law. In April, 1666, Mr. Pepys and the redoubtable Mr. Prynne discussed the obscurity of the statute law, and the latter's plans for making it plain and accessible. In the nineteenth century codification and statute law revision did a great deal, but these movements have largely become spent, and the reforms in drafting initiated by Lord Thring seem to have become worked out.

The Ideal

It may be said at once that statutes that are plain and simple so as to be understood by an ordinary individual are an impossible ideal. The field of legislation is wide and applies to many and complex conditions, but it is not unreasonable to expect an Act to be understood with reasonable certainty by a person of knowledge and skill in the particular subject-matter with which it deals. It cannot be said that this is always attained.

Undue Brevity Means Obscurity

A statute has to pass Parliament, and the draftsman endeavours to make the Bill one which, as far as drafting is concerned, will have as safe and uneventful a Parliamentary career as possible. One device is making provision by way of reference. Properly applied with a view to securing reasonable brevity and clarity the device is of great service, but when used to secure an apparent but unreal brevity as a Parliamentary device it necessarily leads to the bewilderment of those who have to obey its precepts. An example, which must be familiar to accountants, of avoiding repetition with amendments is sec. 3 (2) of the Fifth Schedule to the Finance Act, 1940. This prescribes that the second section of Part III of the Act shall apply in a particular case with modifications. Subsection (3) sets out the modifications under nine headings in some fifty lines. This device saved rewriting the section, but has forced on the unfortunate reader the burden of reading the original section with these enormous amendments, and of applying the combined result to a set of facts which are usually sufficiently complicated to render his task a formidable one, without the added mental effort of accurately applying the modifications to the provisions of the original section. He may be excused for complaining that the public has been sacrificed to the exigencies of Parliamentary procedure. Definitions, too, which are useful in their proper sphere, are found to extend meanings so as almost to amount to substantive provisions; a trap for the unwary who may read the section without having the definition section before him.

Rules and Regulations

The bulk and complexity and inflexibility of statutes is palliated by the method of authorising rules and regulations to be made to carry into effect the provisions of a statute. Unfortunately Parliamentary control over them is not effective, and the number of rules and regulations is so vast that it is frequently extremely difficult even to ascertain whether a regulation has been made. The greatest defect is that obscurity is increased because not only are regulations drafted on the same general principles as statutes, but, as is inevitable, Government Departments tend to use the expressions current in the Department, which, however clear to administrators, are Greek to the outside public. Anyone who has attempted to fill up an official form knows the feeling of helplessness as to what really is expected, especially when the draftsman has never contemplated the circumstances of the actual case.

The average citizen may often exclaim in despair: I want to be a law-abiding citizen, but what is the law by which I must abide, and what on earth does it mean?

The fact is that modern legislation appears to fall between two stools—the one being an attempt to reduce an irreducible complexity to an unattainable simplicity, and the other an attempt to cover all the possible combinations that may exist in circumstances that are infinitely varied. Both lead to obscurity and uncertainty. It ought not to be impossible, though it certainly is difficult, to find a solution, but that is a subject-matter too vast to be touched on here.

II—A Defence

By F. N. KEEN, Barrister-at-Law

In the latter part of May some correspondence appeared in *The Times* containing criticisms of the drafting of Acts of Parliament. It began with a letter from Mr. A. P. Herbert, M.P., who had made some observations on the subject in the House o. Commons.

The main defects alleged were :—

(1) Amending of Acts in a manner not clearly conveying the effect of the amendment.
(2) Excessive use of " legislation by reference."
(3) Prolixity, and want of lucidity and literary form.

No doubt the form of a good deal of legislation passed in some earlier periods of our history has been open to criticism, and the judges have not hesitated to say so. To take merely two examples, Lord Herschell, in dealing with an Act passed in 1884, said that no construction of it was free from difficulty and no construction carried out a clear and well-defined policy of the Legislature ; and Lord Brougham, in a case in 1840, commented on the prolixity of statutes then recently passed, as compared with the conciseness of ancient statutes.

The Difficulties

But in regard to the legislation of the present day I think the allegations in the letters have little justification, as broad criticisms of the drafting of Acts, if due allowance is made for the type of subject-matter with which the legislation has to deal and the circumstances under which it has to be passed. The volume of public legislation is very great, the pressure upon the time of Parliament is very heavy, the purposes for which the draftsman has to provide and to which legislators may direct amendments are often very intricate, and the legislation is often related to a long background of earlier statutes. Thus the fact that some legislation passes in a form which is difficult for the layman to follow is really due not to any inability on the part of the draftsman to express himself clearly and in literary English, but rather to the complexity of the purposes that he has to translate into words and the obstacles that have to be surmounted in order to get the desired legislation on to the Statute Book, and sometimes to amateurish work on the part of the legislators themselves.

Take, for illustration, Part II of the Finance Act, 1940, which deals with income tax and involves many troublesome references to earlier Acts in order to appreciate the effect of the amendments and new enactments. Income tax law was consolidated in the Income Tax Act, 1918, a long Act embodying a complicated system of taxation, but an Act the meaning and effect of which a layman would, I think, have no great difficulty in understanding. A long series of Finance Acts, however, subsequently passed has greatly altered the system and increased its complications, and made a voluminous mass of amendments in the original and intervening legislation. The effect of the amending provisions in the 1940 Act certainly cannot be understood without referring to the earlier Acts, but this seems unavoidable, since the setting out of all the altered enactments in their amended form would have made the 1940 Act excessively long. It might also have involved the further disadvantage of extending unnecessarily the area for discussion in Parliament, and thus making an excessive call on the time of Parliament. The remedy seems to lie in a new consolidation of income tax law, or perhaps, better still, it might be possible to have a simplification of the system of taxation as well as a consolidation of the existing Acts. But either course would involve a difficult task and a heavy call on the time of Parliament.

It has become a common practice for the draftsman to make the reference to a section of an earlier Act somewhat clearer by inserting within brackets after it a few words indicating its subject-matter. For an illustration of this practice see clause 1 (1) (*c*) of the Minister of Works and Planning Bill now before Parliament ; see also Part II of the Finance Act, 1940. In some Acts, where amendments are few or the difficulties above mentioned do not apply, the practice has been adopted of setting out in a schedule the earlier enactment as amended. Examples of this will be found in the Solicitors Act, 1941.

Where a code or method of procedure adopted in an Act is applied to different circumstances in a later Act by a mere reference to the earlier provisions, without setting them out in detail, there may be a further reason for not repeating them, in that the repetition might be a temptation to Parliament to vary the wording, and thus create an unwelcome difference between the machinery of the two Acts.

Some Acts Clearly Drafted

It is easy to show by illustration that Parliament is quite capable of turning out Acts which are not open to criticism on the ground of lack of brevity or lucidity, or on the ground of defects of literary form, when there are no obstacles to the attainment of that standard. The Companies Act, 1929, by which the then existing company law was consolidated, is a good example, for it surely must be admitted that this Act with its 385 sections and 12 schedules is throughout drafted in clear, concise and literary English, and can be read and understood without difficulty by the layman. Perhaps a better example still is the Education Act, 1902, which carried out with marked brevity and clarity the important innovation of the vesting of education functions in the county councils.

With regard to the suggestion of prolixity it must be remembered that an Act of Parliament has to operate in all manner of different and unknown future circumstances. Good drafting, therefore, requires, above all things, that the wording should be precise and easily capable of application in any probable circumstances, without giving rise to litigation. To achieve this without some sacrifice of brevity may often be impossible. On he whole, W. S. Gilbert rather seems to have hit the nail on the head in the lines quoted in one of *The Times* letters :—

" We know that complicated laws
Such as a legal draftsman draws
Cannot be briefly stated."

The American Accountant and the S.E.C.—I

By MARY E. MURPHY, Ph.D., C.P.A.

When the legal structure in the United States pertaining to the profession of public accountancy is examined it is apparent that the Securities Act, 1933, and the Securities and Exchange Act, 1934, have laid heavy responsibility and liability upon practitioners. Both are administered by the Securities and Exchange Commission—S.E.C.

Corporations which have listed their securities on one of the twenty-three Stock Exchanges in the United States recognised by the Securities and Exchange Commission have been, since the passage of these two Acts, required to recognise the Commission's principles and procedures of accounting. When the former Act was passed President Roosevelt declared: "What we seek is a return to a clearer understanding of the ancient truth that those who manage banks, corporations and other agencies handling or using other people's money are trustees acting for the others," and this philosophy has been incorporated in accounting practice ever since.

Information Required in Accounts

The 1933 Act, enacted to prevent the exploitation of the public by the sale of unsound, fraudulent and worthless securities through misrepresentation, and to place adequate and true information before the investors, requires the issuance of complete information when a security is offered to the public. The 1934 Act requires the issuance of complete data in the case of those companies of which the securities are listed on any national exchange and provides for methods of keeping that information up to date.

Subsection 25 of the former Act requires:—

A balance-sheet as of a date not more than 90 days prior to the date of filing of the registration statement showing all of the assets of the issuer, the nature and cost thereof, whenever determinable, in such detail and in such form as the Commission shall prescribe (with intangible items segregated), including any loan in excess of $20,000 to any officer, director, stockholder or person directly or indirectly controlling or controlled by the issuer, or person under direct or indirect common control with the issuer. All the liabilities of the issuer in such detail and such form as the Commission shall prescribe, including surplus of the issuer showing how and from what sources such surplus was created, all as of a date not more than 90 days prior to the filing of the registration statement. If such statement be not certified by an independent public or certified accountant, in addition to the balance-sheet required to be submitted under this schedule, a similar detailed balance-sheet of the assets and liabilities of the issuer, certified by an independent public or certified accountant, of a date not more than one year prior to the filing of the registration statement, shall be submitted.

Subsection 26 requires:—

A profit and loss statement of the issuer showing earnings and income, the nature and source thereof, and the expenses and fixed charges in such detail and such form as the Commission shall prescribe for the latest fiscal year for which such statement is available and for the two preceding fiscal years, year by year, or, if such issuer has been in actual business for less than three years, then for such time as the issuer has been in actual business year by year. If the date of the filing of the registration statement is more than six months after the close of the last fiscal year, a statement from such closing date to the latest practicable date. Such statement shall show what the practice of the issuer has been during the three years or less period as to the character of the charges, dividends or other distributions made against the various surplus accounts, and as to depreciation, depletion and maintenance charges, in such detail and form as the Commission shall prescribe, and if stock dividends or avails from the sale of rights have been credited to income, they shall be shown separately with a statement of the basis upon which the credit is computed. Such statement shall also differentiate between any recurring and non-recurring income and between any investment and operating income. Such statement shall be certified by an independent public or certified accountant.

Requirements of the Securities and Exchange Commission

Information required to be filed under the Securities Act of 1933 relates only to the situation at a time a security is issued, whereas reports under the 1934 Act provide adequate information reasonably up to date as long as the security is traded in on an exchange. The Commission has distributed the forms required by law: a balance-sheet as of a date not more than 90 days prior to the date of filing of the registration statement and profit and loss statements showing earnings and income and expenses for the last three available fiscal years are required. For a consolidated group of which the issuer is a parent the following statements are required: a consolidated balance-sheet and profit and loss statement for the last fiscal year prior to filing of the registration statement; individual balance-sheets and profit and loss statements for the same year for each controlled company excluded from these consolidated statements; a statement of all inter-company eliminations as between companies shown in the consolidated statements. In the case of unincorporated investment trusts the statements required are: a balance-sheet of the issuer as of a date not more than 90 days before registration; a balance-sheet of the depositor or sponsor at the end of its last fiscal year; profit and loss and surplus statements of the trust for the preceding three fiscal years. Under the Act of 1934 balance-sheets of the issuer for not more than three preceding fiscal years and profit and loss statements for not more than three preceding fiscal years, as well as any further financial statements deemed necessary, are required for registration, and statements are made as to information required at periodic reporting periods.

(In the second article, to be published next month, Miss Murphy deals with accounting principles and the responsibility of auditors in relation to the S.E.C.)

TAXATION

Separate Assessment of Husband and Wife

It is somewhat rare to find husband and wife claiming to be separately assessed, yet the cases where this is so are frequent enough to make it the subject of legislation. It is found that the provisions of the Acts in this respect are not so well known as many other what might be called " everyday " sections.

General Rule 16 provides that the profits of a married woman living with her husband shall be deemed to be the profits of the husband and shall be assessed and charged in his name. The assessment and charge are therefore in the ordinary way made upon the husband. To this there is an exception, viz., under the Deduction of Income Tax (Schedule E) Regulations, 1940 (S.R. & O., 1940, No. 1776, paragraph 3 (3)), which provide that the tax charged on the emoluments of a married woman may be included in a notification to her employer as if she had been assessed and charged in her own name.

Either husband or wife, however, may, under General Rule 17, claim separate assessment. The claim has to be made by either the husband or the wife within six months preceding July 6 in the year of assessment for which it is required first to operate, and will then continue in force until countermanded by a similar notice, given within a similar period for the year of assessment for which the election is to cease (Section 22, Finance Act, 1930). A claim for the year of marriage has to be made by July 5 in the year following the marriage (Section 26, Finance Act, 1919). For sur-tax, the claim has to be made separately—one claim does not cover both standard rate and sur-tax—the time limit being July 5 in the year next following the year of assessment (Section 42 (9), Finance Act, 1927).

Separate returns are then required, and separate allowances are given, but the allowances are calculated by reference to the joint aggregate income, and must not exceed what would be given if the assessment were

Illustration. 1942/43.

			Total		Husband		Wife	
			£		£		£	
Business, Sch. D, Case I			600		600		—	
Profession, Sch. D, Case II			500		—		500	
Directors' Fees			1,600		1,200		400	
			2,700		1,800		900	
Untaxed Interest, Sch. D, Case III			50		50		—	
Excess Rents, Case VI			20		—		20	
Property, Sch. A			280		80		200	
Dividends			835		720		115	
			3,885		2,650		1,235	
Less Annual Payments			135		50		85	
			3,750		2,600		1,150	
Allowances :								
Earned Income 18 : 9			150		100		50	
			3,600		2,500		1,100	
Personal	£140							
Additional Personal	80							
Children (3)	150							
	370	25 : 11		257		113		
Adopted Child	50			50		—		
Dependent Relatives (2)	50		470	25	332	25	138	
			£3,130		£2,168		£962	
At 6/6 25 : 11	£165		53 12 6	£114 10 0	37 4 3	£50 10 0	£16 8 3	
At 10/-	2,965		1,482 10 0	2,053 10 0	1,026 15 0	911 10 0	455 15 0	
			1,536 2 6		1,063 19 3		472 3 3	
Life Assurance. At 3/6	£260		45 10 0	£240	42 0 0	£20	3 10 0	
Tax to be borne			1,490 12 6		1,021 19 3		468 13 3	
Tax on Dividends								
Less Annual Charges	700		350 0 0	£670	335 0 0	£30	15 0 0	
Assessable Schedules A, D and E			1,140 12 6		686 19 3		453 13 3	

made jointly in the ordinary fashion (Section 25, Finance Act, 1920). The allowances are apportioned as follows (Section 25, Finance Act, 1920; Section 15, Finance Act, 1928; Section 46 and 5th Schedule, Part II—1, Finance Act, 1927) :—

Earned Income Allowance.—In proportion to the respective earned incomes.

Age Allowance.—In proportion to the respective total incomes.

Adopted Child.—The allowance is given to the spouse who maintains the child.

Dependent Relative.—The allowance is given to the spouse who maintains the relative.

Personal, additional Personal and Child Allowance (other than adopted child).—In proportion to the respective assessable incomes (i.e., total income less earned or age allowance as may be appropriate).

Reduced Rate.—In proportion to the respective assessable incomes.

Life Assurance.—The allowance is given to the spouse who pays the premium.

The apportionment of sur-tax is simple. There must be ascertained how much sur-tax would be paid on the joint income and that amount is apportioned in the ratio of the respective total incomes (Section 42 (9), Finance Act, 1927). It should be noted, however, that the official view is that any assessment in respect of a direction under Section 21, Finance Act, 1922, is the concern of the spouse to whom the income of the company is directed, and they apportion only the sur-tax payable excluding that arising in the direction (which is deemed to be the highest part of the income). Between people of goodwill, this can, of course, be remedied.

Finally, it must be borne in mind that if the wife does not pay the amount assessed on her, the husband can be made to pay, irrespective of the separate assessment (Section 171, Income Tax Act, 1918).

It may, of course, happen that tax is payable by one spouse and reclaimable by the other. In no case will the total tax suffered be more or less than if no separate assessment had been claimed.

Illustration—Sur-tax 1941-42.

					£	s.	d.
Total Income	Husband	£3,500					
	Wife	1,800					
		£5,300					
	Sur-tax	£2,000	—		—		
		500	2/–		50	0	0
		500	2/3		56	5	0
		1,000	3/3		162	10	0
		1,000	4/3		212	10	0
		300	5/–		75	0	0
					556	5	0
Husband	$\frac{3500}{5300}$ × £556	5	0		367	6	9
Wife	$\frac{1800}{5300}$ × £556	5	0		188	18	3
					£556	5	0

Taxation Notes

E.P.T.—Disallowance of Directors' Remuneration

Where the Commissioners decide that the amount of the remuneration of directors and others is in excess of the amount which is reasonable and necessary having regard to the requirements of the business, they may direct that no deduction shall be allowed in respect of the excess in computing profits for E.P.T. This power, vested in the Commissioners by Section 32, Finance Act, 1940, is subject to the very important safeguard to the taxpayer that he may appeal to the Board of Referees if dissatisfied with a decision of the Commissioners.

It now appears that taxpayers may be deprived of the right of appeal to the Board of Referees in a highly important class of case, through the Inland Revenue making a direction under Rule 10 (2), Part I, Seventh Schedule, Finance (No. 2) Act, 1939, instead of under Section 32.

Rule 10, which was itself introduced by the Finance Act, 1940, in substitution for the earlier Rule, deals in sub-Rule (1) with the case of a company which has been director-controlled throughout the chargeable accounting period, and in sub-Rule (2) with those cases, not coming within sub-Rule (1), where a company has been "touched" by director-control in any accounting period relevant to the computation of the standard profit, or in any accounting period constituting or including a chargeable accounting period. Under sub-Rule (1) there is to be no allowance for the remuneration of directors (other than "whole-time service directors"), whilst under sub-Rule (2) no deduction may be made in respect of directors' remuneration (including that of "whole time service directors") except in so far as the Commissioners otherwise direct. There is no right of appeal against a direction of the Commissioners under Rule 10 (2).

Thus, if a company were director-controlled for only a few months in the standard period, or now ceases to be director-controlled, the amount of the remuneration of directors deductible in any current or future chargeable accounting period is entirely within the discretion of the Commissioners, as now claimed by the Revenue, since they may direct under Rule 10 (2) instead of under Section 32. Without the right of appeal, the taxpayer and his advisers must be considerably handicapped in negotiating cases of remuneration of directors.

This claim by the Revenue appears to be quite outside the intention of the provisions. Thus Section 34, Finance Act, 1941, gives the power to any person who bears any additional tax as a consequence of the operation of Section 32, Finance Act, 1940, in relation to payments for services, to recover such additional tax from the person remunerated (to the extent that the payment relates to any period or part period falling after March 31, 1941). If the disallowance is made under Rule 10 (2), there would be no such right of recovery.

Farm Accounts—Household Expenses

A correspondent asks what is the proper method or simplest method of arriving at a price to be charged to the farmer himself for supplies to his household from the farm. The simple answer is, of course, "cost price," but to cost such items in the true sense is beyond the average farmer's system of book-keeping, and a value has to be placed on the items. This value is commonly the price which would have to be paid if the produce in question was bought in the ordinary way less, say, 5 per cent. for the cost of marketing, i.e., the produce is valued in the same way as stock in hand. A man cannot make a profit out of himself—a trite but important phrase—and a deduction of 5 per cent. only is

normally too low. It would be reasonable to deduct the percentage of profit shown on the accounts as a whole, if the accounts cannot (and they rarely can), be departmentalised, to arrive at a percentage for the produce in question. That is theory. In practice, however, it is found that the average farmer can place a fair value on such produce, which removes the academic aspect. Such value can readily be checked by its relationship to market prices.

The same correspondent raises the question of the charge to be made where a farm tractor is used for private purposes. It will be found that the rates for such user are fairly well established, and the farmer will be able to fix a reasonable charge per hour. The accountant can check this by reference to wear and tear, running expenses and labour cost, with a small addition for overheads.

These questions are a matter for the application of general principles and common sense. Few people are sounder judges of value than the average farmer, and accountants with practical experience of farm accounts can generally appraise the figures. The problem is not generally so much the value as to quantity of private consumption or user, as the case may be. On that side, regard must be had to the number in the family, including domestic as distinct from farm workers, and the quantity of produce that could be available having regard to the production and outside sales.

Building Societies

The " composite rate " has been increased to 5s. 9d. in the £, part of which will be treated as a post-war credit. This is an indication of the increase in the average effective rate of tax, as the rate on the formula previously applied would have been 5s. 0½d.

Valuation of Farm Stock

A reader has queried the statement that valuations should be on the basis of cost or present market price, on the grounds that owing to abnormal conditions, livestock is at least 100 per cent. up. He states : " In the case of an ordinary sized farm, the valuation of livestock which stood at £700 would appear at £1,400, a paper profit of £700." It appears that he has misunderstood the position. " Market price " is usually interpreted as meaning " current cost of replacement." In the case of commodities, this is normally capable of exact ascertainment, and in the case of livestock we have found it to be reasonably easy to find. The practice is to take current market price, less, say, 5 per cent. for marketing costs of stock and crops produced on the farm—a useful yard stick. This, however, does not give rise to paper profits if cost price is available.

In the case of mature stock, such as milch cows, no paper profit could arise, as cost could and would be the figure adopted, unless market values were lower. For growing stock, and calves, etc., bred on the farm, however, the cost is not an easy figure to find, in the absence of records more detailed than the average farmer maintains. We are therefore usually more or less forced on to market price. Moreover, we are not sure that our correspondent is correct in his assertion. Prices may have doubled for certain stock, but are not the costs of rearing, etc., correspondingly increased ? We think that if our correspondent were to make an analysis of both sides of the profit and loss account, he would find that the situation is not nearly so black as he has made it, and cost (if ascertainable) is the answer to his objection.

What he would apparently like to do is to take a " basic stock " valuation, ignoring market fluctuations. This is not permissible to-day ; its disadvantages from the Revenue viewpoint are too obvious, and it is inaccurate. If a farmer is rearing and selling stock, with the same numbers turned over each year, it is obvious that the cost as well as the market price has increased considerably over pre-war years, his expenses mounting proportionately.

Our reader also says : " Implements : Tractors which cost £140 are being sold second-hand at £400. Under the regulations Wear and Tear at 20 per cent. is allowed. To take the market price ruling would considerably add to the assessment." This confirms our view that he is a little confused, and as we have found others labouring under a similar misapprehension, it is well to point out that revaluation does not apply where wear and tear is claimed. A tractor can be dealt with on a replacements basis, in which case the cost of replacement (not exceeding cost of the item replaced) will be allowed as an expense of the year of replacement. It is usual to claim the wear and tear allowance, however, which is based on cost, and is 22½ per cent. (plus 20 per cent., a total of 27 per cent.). In either case, any profit on sale is capital, and not assessable. Our reader concludes by saying : " It is submitted that the basic rule should be as formerly ; cost or market price whichever is the lower." That is exactly what we said in our previous article, and what we have tried to make clear again in this note. The question what is cost, however, we cannot make clear ; only proper cost accounts can do that.

Osler *v.* Hall and *ex parte* Gibbs

The note on this topic in our December, 1941, number, must now be amended. *Ex parte Gibbs* has been reversed in the House of Lords (1942, 1 A.E.R. 415), with the result that Rule 9, Rules of Schedule D, Cases I and II, has been held to apply to a partial change in a partnership. The anomaly under the *Osler* v. *Hall* decision thus regains its former importance.

E.P.T. War Damaged Buildings

It is understood that the Revenue have now revised their attitude towards the treatment on the capital computation of assets that have suffered war damage. A temporary cessation of the employment in the business of assets while repairs are made will not necessitate any adjustment of capital employed. Moreover, where certain items have been destroyed, but no separately identifiable part of the business ceased as a result, capital employed will not be restricted. The test to be applied is whether the profit-earning capacity of the trade has been appreciably impaired by the destruction of the assets.

War Damage Contribution

It is understood that as a result of action taken by the Council of the Law Society, Schedule A appeals for 1939-40 will be admitted at this late date, and where the assessment is reduced, the War Damage Contribution will be amended accordingly.

Letting Furnished Houses

Returns now due for completion will include in many cases profits from letting furnished houses where no such source of income has existed before. The following are the types of deductions allowable in computing profits : Rent paid or annual value, if higher ; rates ; water rates and charges ; repairs ; insurance of contents ; agents' charges for letting ; agent's commission ; cost of inventory and agreement ; advertising ; lighting and cleaning (where provided) ; main-

tenance of garden ; wear and tear of furniture (usually 10 per cent. if plate or linen provided, otherwise 5 per cent.).

If the letting is for part of a year only, and not habitual, all charges must be proportionate to the period. Where, however, the house is kept mainly for letting, a whole year's charges are permissible, including the wages of a caretaker provided for unoccupied periods, and the cost of cleaning between lettings.

As the assessment is under Case VI, a loss can only be used for relief within the limits of Case VI, under Section 27, Finance Act, 1927.

Land Tax

Those interested will find in Clause 41 of the Finance Act, and the Tenth Schedule thereto, provisions for simplifying the machinery of assessment, collection, etc., of land tax.

Recent Tax Cases

By W. B. COWCHER, O.B.E., B.Litt., Barrister-at-Law

Excess Profits Tax—Minimum standard—Working Proprietor—Full time in the actual management or conduct of trade or business—Finance (No. 2) Act, 1939, *Section* 13 (2)—*Finance Act*, 1940, *Section* 31 (1).

C.I.R. v. *Frank Stone (Kidderminster), Ltd.* (K.B.D., January 26, 1942, T.R. 19), arose out of an unfortunate decision by the General Commissioners. They had held that the crucial test of whether Mrs. Frank Stone was a working proprietor within Section 13 (2) (*a*) of Finance (No. 2) Act, 1939, as amended, was whether her services were indispensable to the business, and, having found that they were, they decided accordingly. The case was sent back to them to find whether Mrs. Stone had during more than one-half of the chargeable accounting period worked full time in the actual management or conduct of the trade or business. Lawrence, J., in doing this, expressed the opinion that they ought to consider among other facts the time worked by her husband, it being apparently admitted that he did work full time.

What is " full time " remains a question. It would seem to be a quantity varying with the circumstances. But whether these circumstances are those of the business or are personal ones is at present an unsolved problem. The decision under review points to an impersonal solution.

Sur-tax—Undistributed Income of Company—Submission of Accounts to Special Commissioners—Intimation of Intention to proceed given by Notice of Making of Direction—F.A., 1922, *Section* 21—*F.A.* 1928, *Section* 18—*F.A.*, 1939, *Section* 13 (5).

Star Entertainments, Ltd. v. *C.I.R.* (C.A., April 21, 1942, T.R. 55) was noted in our March issue. In the Court of Appeal the judgment of Lawrence, J., was affirmed. Leave to appeal to the Lords was refused.

The Master of the Rolls gave the judgment of the Court ; and, as his lucid interpretation of the position is of importance, it is worth while referring briefly to the facts. The company on December 8, 1939, exercising its rights under Section 18 (1) of F.A., 1928, sent to the Special Commissioners its accounts for the years ending June 30, 1938 and 1939, with a request that they should be considered in relation to Section 21 of F.A., 1922. On December 14, the Commissioners asked for further information, which was sent upon February 9, 1940. Upon March 15, 1940, the Commissioners made directions under Section 21 in respect of the company's years to June 30, 1936, 1937 and 1938, and on that same date notified the company that the directions had been made.

The company contended that the direction in respect of the year to June 30, 1938, was bad because by Section 18 (3) (*a*) of F.A., 1928, the Commissioners before making their direction had to " intimate to the company their intention to take further action."

Lord Greene said that in order to understand Section 18 of F.A., 1928, it was necessary to understand two things. First, Section 21 of F.A., 1922, was penal, because a company which had distributed " almost a reasonable amount " was liable to have the section applied to the whole of its profits, and, secondly, there was no special time limit imposed upon the Special Commissioners. As a consequence, great inconvenience might be caused, and it was very desirable that the taxpayer should know his position at an early date. Otherwise, some years afterwards, assessments might be made. Section 18 was intended to put a time limit to the Special Commissioners' powers, and to that extent was in relief of the taxpayer.

He rejected the argument that one of the objects of Section 18 was to enable a company to put its house in order by making a reasonable distribution. There was no obligation upon the Special Commissioners to express any opinion as to what was a reasonable distribution, and nothing to prevent them from issuing the direction immediately after the intimation. Section 18 fell into two parts. The important part was the relief given to the taxpayer, found in paragraphs (a) and (b) of subsection 3. Subsections (1) and (2), by themselves, only stated how to secure the benefits of subsection (3), namely, the time limits. But the Special Commissioners had power to avoid this by issuing to the company intimation of intention to proceed.

He found nothing justifying the conclusion that where power to issue a direction under Section 21 of F.A., 1922, was given, that power was suspended for three months, unless and until intimation was given. The Commissioners could either act at once or, by issuing an intimation within three months, could give themselves further time. He declined to express any opinion upon the Crown's argument that the giving of a direction was itself the giving of an intimation.

Income-Tax—Mining Lease—Right to withdraw Support—Payments as Liquidated Damages—Whether Rent for Land—Whether Rents in respect of an Easement—F.A., 1934, *Section* 21.

Earl Fitzwilliam's Collieries, Ltd. v. *Phillips* (Court of Appeal, April 17, 1942, T.R. 51) was noted in our issue of last February. There, the distinction between the present case and that of *C.I.R.* v. *New Sharlston Collieries, Limited* ((1937), 1 K.B. 583, 21 T.C. 69) was pointed out. In the Court of Appeal the Crown was not called upon, the Master of the Rolls holding that the distinction could not stand in the light of the reasoning in that case. There, leave to appeal had been given, but not exercised. Here, in consequence, the leave was repeated.

FINANCE

The Month in the City

Compulsory Marking Turned Down

The Stock Exchange sub-committee which has been considering the possibility of reforms in the methods of registering business done has now made its recommendations. Opinion in the market, as was pointed out in our March issue, was sharply divided about the advisability of compulsory marking, to which there are undoubted technical objections. It is not surprising, therefore, to find that the committee has decided against this far-reaching change in procedure. Brokers are urged to continue to mark all their bargains, but marking remains on a voluntary basis. The principal changes under the new system are that henceforth only one mark (instead of three) will be recorded in any one security at one price, but, on the other hand, the number of markings received in each section is now published at the head of the business done column in both the Official and Supplementary Lists. Where a broker has received orders from several clients in respect of one security, and has " bulked " them together, the number of clients' bargains must be inserted on the marking slip. For individual securities, the reduction in the number of markings under the new system may suggest rather less activity than has in fact taken place, but the change is, no doubt, justified by the economy in paper and printers' time. By way of compensation, in any case, we now have for the first time an official record of the number of bargains in each section taken as a whole.

The initial figures in this series tend to confirm that for the most part brokers have been in the habit of marking practically all bargains. The effect of the limitation in markings, however, may be seen from the fact that on the initial day actual markings published in the Official List amounted only to 1,501, whereas the official record showed 2,864 markings received. It illustrates the non-speculative character of Stock Exchange business in these days, that, out of this total of 2,864 markings, 536 represented bargains in British funds, compared with no more than 73 in oil shares. Commercial and industrial shares were the most active single section, with 742 marks. In the Unofficial List, on the other hand, mining shares accounted for 256 out of 545 markings received.

Limitation and Control

As is not unusual in these days, the investment machinery has again been under fire. For example, the Chancellor has been asked whether he would take steps to limit dividends to a pre-war level, " in view of the fact that dividends are being paid by companies in excess of those being paid pre-war." In his reply, Sir Kingsley Wood emphasised that the object of dividend limitation, in keeping down the purchasing power of shareholders, is even more important now than in 1940, but he suggested that " generally speaking " moral dividend limitation has been complied with. The facts would surely have justified a much stronger defence. An analysis published in the *Investors' Chronicle* shows that 49 per cent. of all companies have actually reduced their dividends below the 1938-39 level, 39 per cent. have maintained them and only 17 per cent. have made increased payments. The majority of these increases, moreover, would have been permissible under the Limitation of Dividends Bill, which sought to restrict dividends only to the level paid in the three-year period to June, 1939. Some heartburning was caused, too, by the announcement that applications for a Stock Exchange quotation or permission to deal must henceforth be referred to the Treasury. In principle, of course, this intervention goes no farther than that imposed by the Capital Issues Control, but it means that the Stock Exchange Committee is no longer even nominally master in its own House, even though the same results might have been achieved by a more precise drafting of the regulations. In the meantime, however, the Treasury has arrogated to itself a still more intimate control of investment by deciding that the underwriting charges in respect of a proposed conversion were too high. One would have thought that the force of competition might safely have been relied upon to maintain a reasonable level for such commissions, which in any case seem to have no direct relation to Government borrowing policy.

American Share Deliveries

A technical change has been made affecting those Transatlantic securities (mainly Canadian stocks, such as Canadian Pacific and International Nickel) which, although in registered form, are transferred as bearer securities once the share certificate is signed by the registered holder. After September 1, such stock will not be a good delivery unless it is registered either in the name of the actual holder or in that of a recognised " marking house." Where this is not possible, the shares must not be sold unless the registered holder has been traced, to ensure that there has been no infringement of the Trading with the Enemy regulations. Meanwhile, a higher price is quoted for certificates registered in " good marking names " than for those registered in the name of the actual owner. It is to the interest of a purchaser to transfer stock into a recognised name, but the stock must be lodged with a bank for collection of dividends, since the company will have no knowledge of the beneficial owner. Intending sellers of stock lodged in the United Kingdom Security Deposit in Montreal, and represented only by a call ticket, must in future furnish sufficient information to enable the buyer to trace the registered holder.

New Joint Committee

Steady progress is being made towards the establishment of the Stock Exchange as an organised profession. A further important step in this direction was marked by the establishment of a Joint Advisory Committee for all Stock Exchanges, to provide for the exchange of opinion and discussion on all matters affecting the constituent bodies. Mr. R. B. Pearson, chairman of the London Stock Exchange, has been appointed chairman of the committee until the end of 1943. A particularly welcome feature of the new body is the inclusion of representatives of the Provincial Brokers' Stock Exchange, which makes it fully representative of the stock-broking community throughout the country as a whole.

Markets and Tobruk

Investors responded to the defeat in Libya with the same calmness which was witnessed in previous reverses. Actual selling was again on an extremely small scale. During the following week, the *Financial News* Index of Ordinary Shares declined by less than 2 points to 78.0, while the losses in gilt-edged were quite trifling. The chief effect of the news, in fact, was a drop of 9 points in Egyptian bonds. Australian and New Zealand stocks, however, which were previously showing signs of revival, remained frozen at the minimum price.

Points from Published Accounts

Beyer, Peacock & Co.

The increasing tendency towards obscurantism in dealing with tax provisions is still the chief feature of current company accounts. This month Cerebos has fallen into line with the general movement by suppressing particulars of its tax allocations, which previously had been shown separately, and in this case at least it can scarcely be urged that to show figures of gross profits would be detrimental to the national interest. A more particular criticism falls to be made of the accounts of Beyer, Peacock & Co. As locomotive engineers, the company is engaged in an industry which was passing through a lean time in the E.P.T. years, and the determination of E.P.T. liability has naturally been subject to some delay. The net profits of £52,519 shown for 1939, and £53,377 for 1940, were accordingly described as being subject to E.P.T. The same qualification is made regarding the net profit of £51,283 returned for 1941, yet the amount of the E.P.T. liability chargeable against this surplus is apparently now known. At any rate, the profit and loss account in the balance-sheet shows a debit of £75,000 described as " provision for Excess Profits Tax from April 1, 1939, to December 31, 1941." We know from this that the aggregate net profits of £157,179 recorded for the past three years should be scaled down to £82,179 to allow for E.P.T., but there is nothing to show how this reduced amount should be apportioned. In other words, shareholders are left without any knowledge of the true net earning capacity of the past period.

Imperial Chemical Industries

While the accounts of Imperial Chemical Industries are again admirable in presenting a vast amount of detailed information, two minor changes have been made in their form. First, the full annual charge in respect of contributions to the group's pension fund is this time stated separately ; it amounts to £1,346,437, whereas previously only a residual allocation of some £180,000 had been shown. Second, expenditure of £488,000 on A.R.P. measures has been charged to capital, whereas in 1940 similar expenditure of £466,031 was debited to profit and loss. The official comparative figures for the earlier period have been adjusted to allow for these changes, and on the revised basis the consolidated income statement records an advance in the total income of the group from £19,016,244 to £19,956,002. Against that, taxation takes £8,761,554 in comparison with £7,385,474. This is only part of the story, for dividend payments are shown gross. Allowing for the tax included in these payments, and for the fact that the parent company has met £284,000 against £497,000 of its total tax liability by utilising provisions made in previous years, the total tax provision is £12,042,754. This contrasts with a bare net profit, after all tax, of £2,962,259. If we follow the company's old practice of charging A.R.P. expenditure to revenue, this would be reduced to £2,474,259, whereas total net dividend requirements, including the maintained 8 per cent. dividend on the ordinary capital, are £2,894,498. Further, had war damage contributions (£550,720) been debited to revenue instead of being charged to war contingency reserve, the deficiency over dividend payments would have been £970,959. To compare that with the shortfall of £383,814 which would have been shown for 1940 on the same basis of calculation and the margin of £1,594,277 actually secured over dividends in 1939 is to demonstrate once again how severely E.P.T. and special wartime expenditure can eat into profits. These influences and the maintenance of the 8 per cent. dividend have in the past two years entailed a drain of £866,773 on reserves, and the addition of £488,000 to capital expenditure account in respect of 1941 A.R.P. expenses. Adding the latter amount—which the chairman admits will have to be amortised over a period—to the book value of £15,465,335 placed upon the intangible assets of the group, there is a total of £15,953,335, which is actually a little more than the £15,915,737 total of the disclosed reserves.

Dunlop Rubber

Since the company has a number of interests which have been adversely affected by recent war developments it is most satisfactory to find that Dunlop Rubber again presents a consolidated statement of profits and of assets and liabilities. The only point we would wish to make is that as the consolidated balance-sheet does not carry an auditor's certificate it should be endorsed to indicate that it is meant " for information only." In the statement as at December 31, 1940, investments in certain subsidiary and associated companies in countries abroad were included at £2,693,861, the purpose being to exclude from consolidation the assets and liabilities of certain subsidiaries situated in enemy and enemy-controlled countries, in addition to others situated in countries which had adopted a policy of rigorous exchange restrictions. The 1941 report points out that legislative restrictions on the transfer of funds now affect in a greater or less degree the entire Dunlop group of companies. Accordingly the special investment item this time covers only investments in subsidiary and associated companies in enemy and enemy-controlled countries. Nevertheless, it stands at the higher figure of £4,574,528, for, as a result of Japan's intervention in the war, the estates, buildings, plant, etc., of Dunlop Malayan Estates, which previously were shown at £3,662,634 among the fixed assets of the group, have been incorporated within it. This item, incidentally, compares with total surplus and reserves of £7,321,418. The consolidated statement is, indeed, specially valuable this time for showing how those assets whose value must in present circumstances be considered doubtful are offset by reserves.

Allied Newspapers

An instance in which a change in the method of dealing with taxation makes it difficult to draw useful conclusions about the relative trading experience is provided by Allied Newspapers. The trading profit this time includes dividends and interest at their net amount, whereas previously they were brought in gross. It is safe to assume that investment income normally accounts for a large part of the company's revenue, for interests in subsidiaries represent £6,652,242 of the assets total of £16,307,053. Accordingly the latest trading profit of £996,537 cannot be compared with the previous figure of £937,089 except with large reservations. The presumption that there has actually been a substantial advance in trading profits is supported by an increase from £378,000 to £395,000 in the provision for taxation and contingencies, for the larger amount clearly does not include tax on dividend and interest receipts, as was the case last time. Moreover, it does not include the tax deducted from debenture interest payments, for these are shown gross (£134,420) instead of net (£77,915) as last time.

LAW

Legal Notes

COMPANY LAW

Receiver and Manager—Breach of Factory Regulations—Liability as "Occupier."

In *Meigh* v. *Wickenden* (58 T.L.R. 260) the Divisional Court decided that a receiver and manager can be properly charged as "occupier" with contraventions of the Factories Acts. The appellant, a corporate accountant, was appointed receiver and manager under the terms of a debenture which empowered him to carry on the company's business. After he entered on the company's factory premises as receiver and manager, the business was still conducted there by the directors and works manager, who instructed a maintenance engineer; at all material times the engineer controlled the work of the factory. The receiver had no technical knowledge of factory machines. He seldom attended at the factory, and conducted his receivership mainly by his agent and clerk, who attended the company's offices only in normal business hours. During the receivership the milling machine was not provided with a guard, as required by the factory regulations. As a result a worker was injured. The receiver was convicted as "occupier" within the meaning of the Factories Act, 1937, of failing to provide an adequate guard and was fined. It was argued on his behalf that he was not the statutory "occupier" at the time of the accident and that as the offences were not committed with his consent or connivance or by his neglect, he could not be convicted.

The Court of Appeal held that the conviction was lawful and that the drastic provisions of the Act did not depend on proof of personal blame or even knowledge of the contravention on the part of the occupier. If there was a contravention there must always be someone who would be convicted. But it was open to the occupier to bring "the actual offender" before the Court; if he were convicted, the occupier might be acquitted. In the Act "occupier" was not defined. It was contended that, even after the receiver's appointment, the company continued to occupy the factory and that the receiver was only the agent and manager of the company's business. But the receiver was appointed to give directions to the directors, not to receive them. He could remove them and he took over full responsibility, although the company continued to exist.

EXECUTORSHIP LAW AND TRUSTS

Will—Option to Purchase Shares—Not Exercisable by Donee's Assigns or Executors.

In *Skelton* v. *Younghouse* (58 T.L.R. 258) the House of Lords decided an important point relating to options to purchase given by will. The testator declared in his will that his son E. should have the opportunity of becoming absolute owner of certain shares of which the testator was registered owner. He directed that on the death of his wife or whenever his trustees realised the shares, E. should have the option of purchasing the shares or any part thereof. The shares were not realised during the widow's lifetime. On E.'s death without having exercised the option, the question arose whether his executors were entitled to exercise it. The House of Lords held that from the context of the will the option was personal to E. and therefore not assignable or transmissible. There was no immediate unconditional gift and it was uncertain whether E. would be alive when the option became exercisable. The statement in *Jarman on Wills* (7th ed., vol. I, p. 73) that "an option of purchase given by will to A.B. is *prima facie* personal to him and does not pass to his executors on his death" is incorrect. There is no *prima facie* view one way or the other; each case depends on the construction on the particular will in the light of any surrounding circumstances properly admissible.

Declaration of Trust—Validity of Disposition.

In *Re Jones' Will Trusts* (1942, 1 All E.R. 642) Simonds, J., decided a case which affirms the maxim that when a testator desires to modify a trust deed, the only safe course is to incorporate a new trust deed in the will by executing a codicil. The testator had by will bequeathed £1,000 to the X College Investment Trustees "appointed or to be appointed under special declaration of trust executed by me bearing even date with this my last will, or any substitution therefor or modification or addition thereto which I may hereafter execute." It was held that the bequest failed for uncertainty. Evidence was admissible to prove the identified document, but not to prove any substituted document. Such a partial admission was not justified as the testator's intention as a whole would not be ascertained. The gift failed for uncertainty.

Gifts Subject to Payment of Annuities.

In *Re Lester* (1942, 1 All E.R. 646) the testator bequeathed shares to his son "subject to the payment by him" of an annuity to another son of the testator for life, and after that son's death, annuities to his wife and daughter as specified. It was admitted that a personal obligation was imposed on the legatee, who accepted the gift. The annuitants contended that a charge on the shares was also created. It was held by Simonds, J., that although a personal obligation was created, yet the words did not create a charge on the shares. It was a question of construction in each case whether an obligation or a charge, or both, were created. He declared that although the legatee was personally liable to pay the sums, they were not a charge on the subject-matter of the legacy.

MISCELLANEOUS

Schedule of Reserved Occupations—No Statutory Force.

In *Roeder* v. *Minister of Labour and National Service*, the Court of Appeal has decided that the Schedule of Reserved Occupations has no statutory force. A man called up for military service must obey even if covered by the Schedule of Reserved Occupations. The Court dismissed an appeal against an order of Croom-Johnson, J., refusing to grant an interim injunction to the plaintiff against the Minister of Labour and National Service to restrain the Minister from causing or permitting an enlistment notice under the Armed Forces Act to be enforced against the plaintiff. The plaintiff alleged that the notice was invalid because the terms of the Schedule of Reserved Occupations and a supplementary memorandum had not been complied with. The Court held that the documents were only a statement by the Minister of the principles on which he proposed to proceed. With regard to the calling up of men in reserved occupations they had no legal force and imposed no statutory obligation on the Minister or any one else. (Court of Appeal, June 2, 1942.)

—The Emergency Acts and Orders

In our November, 1939, issue we published the first instalment of a comprehensive guide to the wartime enactments and Orders which most concern the accountant. The twenty-seventh instalment is given below. The summaries are not intended to be exhaustive, but only to give the main content of an Act or Order, the full text of which should be consulted if details are required.

ORDERS

COMPANIES

No. 803. *Order in Council amending Regulations* 1, 3, 5 *and* 7 *of the Defence* (*Companies*) *Regulations*, 1940.

The annual return (other than a first annual return or a return of a private company) need not contain the information as to past and present members and shares held or transferred. Regulation 7, which enables transfer deeds to be destroyed after three years, is widened in scope and applied to cancelled share or stock certificates.

(See ACCOUNTANCY, June, 1942, page 144.)

No. 381. *Order in Council amending the Defence* (*General*) *Regulations*, 1939.

A new Regulation 78A applies to any company registered in the United Kingdom which has control over any minerals in a foreign country. For essential war purposes, a competent authority may transfer to its own nominees the shares of the company, the benefit of any royalty obligation, and the benefit of any secured or unsecured debt, contract or other obligation of the company. Title in land is not to be so transferred. Compensation is to be assessed by the Treasury subject to appeal to the arbitration of a qualified accountant nominated by the Lord Chief Justice of England.

EXPORT

Nos. 660, 707, 711, 929, 995. *Export of Goods* (*Control*) *Orders*, 1942, *Nos.* 17, 18, 19, 24, 25.

Further amendments are made in the list of goods subject to export control.

No. 737. *Export of Goods* (*Control*) (*No.* 20) *Order*, 1942.

Goods which might have been exported without licence to China through the port of Rangoon may now be sent through any port in British India.

No. 783. *Export of Goods* (*Control*) (*No.* 22) *Order*, 1942.

Spain, Portugal, Turkey, and the other territories to which goods marked "C" were prohibited to be exported, are now included in the list of destinations to which no goods may be exported without licence. Licences are required for any destination in the Union of Soviet Socialist Republics.

(See ACCOUNTANCY, May, 1942, page 141.)

FINANCE

No. 504. *Order in Council amending Regulation* 3*c and Regulation* 5 *of the Defence* (*Finance*) *Regulations* (*Isle of Man*), 1939.

Similar provisions are made with regard to bank accounts of persons who have ceased to be enemies as are inserted by No. 304 in the United Kingdom Regulations.

(See ACCOUNTANCY, April, 1942, page 121.)

No. 573. *Order in Council amending Regulation* 8 *of the Defence* (*Finance*) *Regulations* (*Isle of Man*), 1939.

The authority given to the Treasury by No. 572 to require returns of property and income of British subjects resident outside the sterling area is incorporated in the Isle of Man Regulations.

(See ACCOUNTANCY, May, 1942, pages 127, 141.)

No. 527. *Securities* (*Validation*) *Order*, 1942.

Transfers before March 25, 1942, to persons resident in the sterling area of life assurance, endowment and annuity policies for which Treasury permission should have been sought under the Defence (Finance) Regulations, are always to have been as valid as if permission had been obtained.

INSOLVENCY

No. 963. *Defence* (*Recovery of Fines*) *Regulations*, 1942.

Failure to pay a fine of more than £500 imposed in respect of an offence against the Defence (Finance) Regulations or the Regulations relating to the control of undertakings may be treated as an act of bankruptcy or as ground for winding up by the Court.

LIMITATION OF SUPPLIES

No. 1000. *Apparel and Textiles Order*, 1942.

Nos. 1001-1012. *Directions.*

The Apparel and Textiles Order (No. 1000) replaces the Limitation of Supplies (Cloth and Apparel) Order, 1941, as from June 1, and controls in addition the goods previously controlled in Classes 4 and 6 of the Limitation of Supplies (Miscellaneous) (No. 13) Order, 1941, and the Felt Hat Hoods Order, 1941. The Order is a short document containing certain general provisions with regard to all classes of goods, and indicating the powers which the Board of Trade may exercise with regard to the several industries by directions made under the Order. Each manufacturer will be able to obtain full information of the regulations affecting him by purchasing the Order and the single direction relating to his industry.

No. 1052. *Limitation of Supplies* (*Heating Apparatus and Polishes*) *Order*, 1942.

A Heating Apparatus and Polishes Trades Register is established, and quotas imposed for June and July, 1942, based on the standard period June to November, 1939.

No. 1038. *Domestic Pottery* (*Manufacture and Supply*) *Order*, 1942.

All manufacturers of domestic pottery must be licensed. The Board of Trade may issue directions regulating the descriptions of pottery to be manufactured, and materials, processes, quantities, marking, supply, and price.

No. 1028. *Limitation of Supplies* (*Miscellaneous*) (*No.* 15) *Order*, 1942.

No. 1031. *Limitation of Supplies* (*Toilet Preparations*) (*No.* 3) *Order*, 1942.

The previous Orders are applied with modifications to the months of June and July, 1942.

(See ACCOUNTANCY, May, 1942, page 141.)

PRICES OF GOODS AND SERVICES

No. 794. *Prices of Goods* (*Price-Regulated Goods*) *Order*, 1942.

The Price-Regulated Goods Order of 1940 is revoked and a new schedule given of price-regulated goods.

No. 815. *Second-hand Goods* (*Maximum Prices and Records*) *Order*, 1942.

A second-hand dealer may not charge more than the relevant first-hand price for prescribed goods made after January 1, 1900. Certain stock records must be kept.

No. 816. *Sales by Auction* (*Control*) *Order*, 1942.

No price-controlled goods or goods controlled in any way by Orders of the Board of Trade may be sold by auction except under licence from the Board. Auctioneers may be required to keep books, accounts and records and to furnish information.

No. 897. *Sales by Auction—General Licence.*

Auction sales are permitted of second-hand clothes, of unredeemed pledges, and of goods in respect of which a statutory declaration is furnished to a member of the Auctioneers' Institute, the Chartered Surveyors' Institution, or the Incorporated Society of Auctioneers, that the property is not part of the assets of a business. The auction catalogue must direct attention to items requiring coupons, and to the control of prices on re-sale of goods.

No. 828. *Furniture (Maximum Prices) Order*, 1942.

Manufacturers, wholesalers and retailers selling new furniture may not charge higher prices than on May 1, 1942.

No. 837. *Storage (Maximum Charges) Order*, 1942.

Maximum charges are prescribed for storing household and office furniture and effects, in London and elsewhere. Charges for goods requiring unusual space or special accommodation must not exceed those current on September 1, 1941.

Nos. 603, 849. *Utility Cloth (Maximum Prices) Orders*, 1942, *Nos.* 1 *and* 2.

The Utility Cloth (Maximum Prices) Order, 1941, is revoked and superseded.

No. 886. *Utility Apparel (Maximum Prices and Charges) (No.* 3) *Order*, 1942.

The first Utility Apparel (Maximum Prices and Charges) Order (1942, No. 75) is revoked and superseded. An additional paragraph covers alterations to goods within one month of purchase.

No. 604. *Utility Apparel (Maximum Prices and Charges) (No.* 2) *Order*, 1942.

Maximum profit margins are laid down for infants' and girls' utility apparel.

(See ACCOUNTANCY, April, 1942, page 121.)

PUBLIC UTILITY UNDERTAKINGS

Nos. 508, 685. *Public Utility Undertakings. Directions.*

Where a public utility undertaking (other than electricity) is carried on by a local authority, company, or other body of persons, copies of the accounts and other documents may be supplied to members of the governing body provided they are clearly marked as confidential. This permission is confined to members of the Board or other persons managing the undertaking in the case of a body of persons unincorporated or incorporated otherwise than under the Companies Acts.

No. 800. *Gas and Electricity Undertakings (Relaxation of Obligations) Order*, 1942.

Gas and electricity undertakings are released from any obligation under the Companies Clauses Consolidation Act or a special Act to hold ordinary meetings or to balance their books more than once in each year.

(See ACCOUNTANCY, April, 1942, page 122.)

Publications

Local Authorities Income Tax and Excess Profits Tax. By J. H. Burton, A.S.A.A., and Cecil A. Newport, F.C.R.A. (English Universities Press, Ltd., London. Price 8s. 6d. net.)

This book is a general account, compressed into 134 pages, of the position of local authorities with regard to income tax, excess profits tax and national defence contribution. Whilst it is not sufficiently detailed to be a practitioners' book, it is of value to practitioners inasmuch as there are liberal references to relevant statutes and cases. There are no examples of computations, an omission which considerably reduces the value of the book for students. As one of the authors is an authority on income tax matters readers will take the reliability of the book for granted; and they will be safe in so doing.

The Inland Revenue have, in the main successfully, sought to construe the statutes involving local authorities as warranting the splitting up of the authorities' functions from the tax point of view. The many difficulties which follow from this fact are well brought out. That the local authority is in a much worse position than a private individual has often been emphasised; it is a matter of fundamental importance.

In the sections dealing with national defence contribution and excess profits tax the authors have succumbed to the temptation of trying to combine a general exposition of the tax with a treatment of the special points arising in the case of local authorities. Failure is inevitable with so small a space at their disposal. Hence practical points are inadequately treated, e.g., there is no mention of those arising out of the practice of the Inland Revenue with regard to the treatment of losses where there is more than one "trade" assessed to national defence contribution.

The implication that amalgamation of trades and businesses for excess profits tax purposes is to the advantage of the Inland Revenue is difficult to understand. The most intricate question of all—the computation of increases and decreases of capital—is only lightly touched upon. A. H. MARSHALL.

E.P.T. Substituted Standards. By James S. Heaton, A.S.A.A. (Jordan & Sons, Ltd., London. Price 18s. net.)

In normal times the majority of practising accountants were experiencing difficulty in the assimilation of the doses of legislation by reference administered annually by the Finance Acts. When, following the outbreak of war, the victims of this relatively slight but chronic derangement found themselves faced with larger and more frequent doses of the same turgid diet, it is hardly surprising that nausea resulted in many instances. Sufferers are already indebted to Mr. Heaton for the alleviation he has provided for one of their symptoms in his previous book ("The E.P.T. Liability of Interconnected Companies") and they will owe a deeper debt of gratitude for his present work since it is of wider application.

A series of lengthy and interconnected sections embracing amendments and re-amendments does not readily lend itself to predigestion, but the author handles the task with sureness and a directness of phrase that produces a succinct and clear analysis. The substance and effect of the provisions become readily apparent and readers (they should be many) will be spared the task of elimination of superabundant verbiage, a process which is so commonly incomplete and unsatisfactory.

The style is good and the examples admirably illustrate the points of the text. The general practitioner will find in the book an answer to most of the problems arising in the numerous cases involving substituted standards. A. STUART ALLEN.

Society of Incorporated Accountants

SOUTH AFRICAN (EASTERN) BRANCH

Annual Meeting

The fourteenth annual meeting of the South African (Eastern) Branch of the Society was held at Durban on March 31. Mr. A. H. Berend presided.

The Chairman, in his address, mentioned that at least 22 out of 70 members were on active service. He expressed warm appreciation of the services rendered by Mr. Roger Laughton as Acting Secretary.

The report and accounts were adopted. Mr. F. E. Osborne was re-elected Auditor. Mr. B. Halsey was elected to the Committee in place of Mr. E. B. Perry, now on active service.

At a meeting of the Committee held after the annual meeting, Mr. A. H. Berend was elected Chairman.

BELFAST DISTRICT SOCIETY

Mr. Samuel Boyle has been elected President of the Belfast Society and Mr. H. McMillan Vice-President. Mr. McMillan will continue to discharge the duties of Honorary Secretary and Treasurer, an office which he has held for many years.

The annual report of the Belfast District Society indicates the completion of a useful but brief programme of work. The report refers to a number of voluntary appointments to important Government Committees in Northern Ireland held by members of the Belfast Society, including a committee to investigate the question of transport.

PERSONAL NOTES

Mr. W. Allison Davies, C.B.E., F.S.A.A., Borough Treasurer of Preston and a member of the Council of the Society, has been appointed a Justice of the Peace for the Borough of Preston.

Messrs. Buzzacott, Lillywhite & Co., temporarily at Brancott, Canons Close, Radlett, Herts., and at London, Epsom and Bognor Regis, announce that they have admitted into partnership as from June 1, 1942, Mr. Ronald Charles Buzzacott, A.S.A.A., who served his articles with the senior partner of the firm, and has been associated with them for the past ten years.

Mr. William White, Incorporated Accountant, Pioneer Assurance Chambers, 31, Dale Street, Liverpool, announces that he has entered into partnership with Mr. W. Surridge Peet, Chartered Accountant, of the same address, and that their joint practices will be carried on at that address under the style of Peet, White and Co.

REMOVAL

Messrs. Colleck, Field & Co. announce a change of address to 22-24, Langham House, Regent Street, London, W.

OBITUARY

LORD ASKWITH

The death of Lord Askwith on June 2 removed a figure well known in industrial and legal circles. He was 81 years of age. After retiring from active practice at the Bar in 1907, he held a number of Government appointments, being Chief Industrial Commissioner from 1911 till 1919, when he was raised to the peerage. He served on a number of Royal Commissions and Government Committees and International Conferences, and was notably successful as an arbitrator in labour disputes. Lord Askwith was probably best known to our readers as President from 1933 to 1940 of the Institute of Arbitrators, and as sponsor in the House of Lords of the Arbitration Act, 1934.

DUNCAN DOUGLAS

We regret to record the death, at the early age of 59, of Mr. Duncan Douglas, F.S.A.A., managing director of Greenlees and Sons ("Easiphit" Footwear), Ltd., of Leicester and Glasgow, which took place suddenly at his residence in Gourock, Renfrewshire. Mr. Douglas served his articles with Mr. James Paterson, F.S.A.A., Greenock, and became a member of the Society of Incorporated Accountants in 1904. He joined Messrs. Greenlees about 30 years ago as accountant, and it was not long before his undoubted abilities were recognised by his promotion to a seat on the board.

INCORPORATED ACCOUNTANTS' BENEVOLENT FUND

The annual general meeting of the Incorporated Accountants' Benevolent Fund was held on May 21. In the absence of the President of the Fund, Mr. C. Hewetson Nelson, the chair was occupied by Mr. Henry J. Burgess, chairman of the Trustees.

The chairman, in moving the adoption of the annual report and accounts, said: It is satisfactory that there is a small increase in the total revenue of the fund, and I am very grateful to all members both at home and overseas who have contributed. I would again refer to the special efforts made by the honorary secretaries in South Africa in securing additional contributions. Their sympathetic help and practical interest are valued by all of us.

I again appeal for support to the Trustees and for an extension of the number of members who subscribe. It is increasingly clear to the Trustees that the rise in the cost of living and other inevitable restrictions arising from the war press heavily upon those whom the fund seeks to help. To give one or two illustrations: there is the responsibility of widows for the maintenance and education of their children; there are widows and members of advanced age who in many cases are infirm. The purpose of the fund is to afford them comfort and as far as possible to relieve them of their anxieties.

The policy of the Trustees is to endeavour to increase the grants in individual cases.

When we look ahead, everything is uncertain. The normal type of claim upon the Benevolent Fund will continue to come forward and in the view of the Trustees, requests from members and their dependants who have been seriously affected by the war are bound to arise in the years ahead. For such cases increased resources are essential and the amount added to capital each year is a token of that potential responsibility.

In pursuance of their desire to expend in grants the maximum amount permitted by the rules and to augment the normal amount of grants, I am glad to say that the Trustees were in a position to distribute at Christmas time, to several people, a sum which brought to them extra cheer and help. The amount of grants was within £23 of the amount which the Trustees were entitled to vote under the rules, but this £23 is mainly attributable to the death of a member to whom a sum had been voted, but who died before payment of the grant. The amount which may be voted in grants is governed by the revenue for the previous year. Therefore the small surplus of £65 does not arise from under-expenditure in grants.

The Trustees have lost a valued colleague in the death of Mr. R. T. Warwick, whose sympathetic and painstaking work was invaluable to his colleagues. His efforts have left a permanent mark upon the work of the fund, not only in relation to individual cases but in regard to the revenue and finances of the fund. One of our vice-presidents, Mr. R .P.

Phillips, practised in the Far East, and I hope we shall soon hear from him.

Next year the fund will have been established for fifty years. I sincerely hope that the subscribers will enable the Trustees to report a record revenue, and if possible to bring the total invested resources of the fund, including special funds, to the sum of £20,000.

Mr. C. Hewetson Nelson was re-elected President of the Fund. Mr. R. Wilson Bartlett was elected a Trustee in place of the late Mr. R. T. Warwick, and the remaining trustees—Mr. Henry J. Burgess, Mr. R. M. Branson, Mr. Percy Toothill, and Mr. Walter Holman—were re-elected. Mr. W. Southwood Smith was re-elected Honorary Auditor. The meeting closed with a cordial vote of thanks to Mr. C. Hewetson Nelson and Mr. Henry J. Burgess for their work as President of the Fund and chairman of the Trustees.

Forty-Ninth Annual Report of the Trustees

The improvement in the total revenue for the year to £1,914—against £1,824 for 1940—is mainly attributable to an increase of £88 in annual subscriptions. There was also an increase in life subscriptions and donations, which are added to capital account and strengthen the resources which will be available to meet future and unknown calls upon the Fund.

It was found possible to augment the amount spent in grants and £1,801, as compared with £1,772 in 1940, was voted in respect of 51 cases. This sum was within a few pounds of the maximum amount permitted by the rules. The amount of grants is governed by revenue for the previous year and not for the current year. Thus an increase in contributions permits an expansion in grants for the following year.

The Trustees express their thanks to Incorporated Accountants at home and overseas who have continued to support the Fund, and particularly to the committees in South Africa for the special efforts made during the past year.

With much regret the Trustees report the death of their valued colleague, Mr. Ralph Thomas Warwick, to whose sustained and sympathetic interest they pay a tribute of regard. It is proposed to recommend the election of Mr. Richard Wilson Bartlett, J.P., as a trustee in the place of the late Mr. Warwick.

It is desired to state that the sole expenses of the Fund are for printing and postages.

PARTICULARS OF GRANTS FOR TWELVE MONTHS, JANUARY 1 TO DECEMBER 31, 1941

	Number of cases	Total Grants	Amounts previously given in cases where grants were renewed
		£	£
(*a*) Education and Support of Children	16	686	2,222
(*b*) Members or Former Members Suffering from Infirmity or Straitened Circumstances	17	477	2,040
(*c*) Widows and Dependants of Deceased Members	16	618	2,435
(*d*) Sundry Cases and Temporary Assistance	2	20	—
	51	£1,801	£6,697

REVENUE ACCOUNT

For the year ended December 31, 1941

1940	EXPENDITURE	£ s. d.	*1940*	INCOME	£ s. d.
63	Printing and Postages	48 1 2	*1,000*	Subscriptions	1,087 14 0
1,772	Grants	1,801 0 0	*127*	Refund of Tax on Covenanted Subscriptions	133 5 5
5	*Donation to Royal Asylum of St. Ann's Society*	—	*697*	Dividends on Investments (including Income Tax recovered)	692 19 6
—	Balance, being surplus for year carried to Balance Sheet	64 17 9	*16*	*Balance, being deficit for year carried to Balance-Sheet*	—
£1,840		£1,913 18 11	*£1,840*		£1,913 18 11

BALANCE-SHEET

December 31, 1941

1940	LIABILITIES	£ s. d.	£ s. d.	1940	ASSETS	£ s. d.	£ s. d.
£	*£*			*£*			
50	Sundry Creditors		50 0 0	*109*	Cash at Bank and in hands of Overseas Agents		275 4 1
	Capital Account—				Investments at Cost—		
14,377	Balance at December 31, 1940	14,650 13 8			£9,400 3½ per cent. Conversion Stock	8 577 6 5	
	Add—				£1,000 4 per cent. Funding Loan, 1960-90	803 18 8	
73	Life Subscriptions	120 15 0			£2,200 4 per cent. Consolidated Stock	2,084 12 3	
217	Donations	352 4 5			£500 India 3½ per cent. Stock, 1931	533 9 0	
14,667		15,123 13 1			£1,000 Local Loans 3 per cent. Stock	923 10 0	
	Add—				£600 London County 3 per cent. Consolidated Stock, 1920	542 17 0	
16	Balance from Revenue Account	64 17 9			£500 London County 3 per cent. Consolidated Stock, 1956-61	490 1 0	
14,651			15,188 10 10		£378 8s. 5d. Metropolitan Water " B " Stock	300 0 0	
3,546	Sir James Martin Memorial Fund		3,546 16 9		£204 0s. 10d. Commonwealth of Australia 3½ per cent. Registered Stock, 1950-52	184 18 11	
500	Edith Sendell Fund		500 0 0		£208 10s. 0d. New Zealand 4½ per cent. Stock, 1948-58	200 16 0	
					£300 London and North-Eastern Railway 4 per cent. 1st Preference Stock	246 17 6	
					£75 Society of Incorporated Accountants 5 per cent. Debentures (Gifts)	75 0 0	
				14,592			14,963 6 9
					Sir James Martin Memorial Fund—		
					£1,000 3 per cent. Local Loans	965 14 6	
					£1,000 2½ per cent. Guaranteed Stock	862 12 0	
					£1,500 2½ per cent. Consolidated Stock	1,265 15 6	
					£545 16s. 4d. 2½ per cent. Annuities	452 14 9	
				3,546			3,546 16 9
					Edith Sendell Fund—		
				500	£432 0s. 9d. 4 per cent. Consolidated Stock (Market value of all Securities at December 31, 1941, £21,204 0s. 2d.)		500 0 0
£18,747			£19,285 7 7	*£18,747*			£19,285 7 7

HENRY J. BURGESS, *Chairman of Trustees.*

I have examined the above Accounts together with the Books and Vouchers, and find the same to be correctly stated. I have also verified the Securities of the Fund.
61, West Smithfield, London, E.C.
April 30, 1942.

W. SOUTHWOOD SMITH,
Incorporated Accountant,
Hon. Auditor.